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CHINA STAR ENTERTAINMENT LIMITED

(Incorporated in Bermuda with limited liability)

(Stock Code: 326)

DISCLOSEABLE TRANSACTION IN RELATION TO THE DISPOSALS OF SALE SHARES AND SALE LOANS

THE DISPOSALS

The Board announces that on 21 October 2013 (after trading hours of the Stock Exchange):

- (a) the Vendor entered into the SPA 1 with the Purchaser 1 relating to the disposal of the Sale Shares 1 and the Sale Loan 1 at a cash consideration of approximately HK\$93.75 million; and
- (b) the Vendor entered into the SPA 2 with the Purchaser 2 relating to the disposal of the Sale Shares 2 and the Sale Loan 2 at a cash consideration of approximately HK\$31.25 million.

Major terms and conditions of the SPA 1 and SPA 2 are set out under “The SPA 1” and “The SPA 2” in this announcement.

Upon Completion 1 and Completion 2, the Vendor is interested in 50% of the issued share capital of the Target Company. Each of the Target Company and its subsidiaries will become a non-wholly owned subsidiary of the Company and its financial results will be consolidated into the consolidated financial statements of the Group in accordance with Hong Kong Financial Reporting Standard 10: Consolidated Financial Statements.

IMPLICATIONS UNDER THE LISTING RULES

Given the ultimate beneficial owners of the Purchaser 1 and the Purchaser 2 are immediate family members, the Disposal 1 and the Disposal 2 are aggregated under Rule 14.22 of the Listing Rules.

As two of the relevant applicable percentage ratios (as defined in the Listing Rules) in respect of the Disposals exceed 5% but less than 25%, the Disposals constitute a discloseable transaction of the Company under Chapter 14 of the Listing Rules and are subject to the announcement requirement under the Listing Rules.

THE DISPOSALS

The Board announces that on 21 October 2013 (after trading hours of the Stock Exchange):

- (a) the Vendor entered into the SPA 1 with the Purchaser 1 relating to the disposal of the Sale Shares 1 and the Sale Loan 1 at a cash consideration of approximately HK\$93.75 million; and
- (b) the Vendor entered into the SPA 2 with the Purchaser 2 relating to the disposal of the Sale Shares 2 and the Sale Loan 2 at a cash consideration of approximately HK\$31.25 million.

Major terms and conditions of the SPA 1 and the SPA 2 are set out below:

I. THE SPA 1

Date

21 October 2013

Parties

Vendor: China Star Entertainment (BVI) Limited, a wholly owned subsidiary of the Company

Purchaser: Mighty Chief Limited, an investment holding company

To the best of the Directors' knowledge, information and belief and having made all reasonable enquiry,

- (a) the Purchaser 1 and its ultimate beneficial owners are third parties independent of the Company and its connected persons (as defined under the Listing Rules); and
- (b) the ultimate beneficial owners of the Purchaser 1 and the Purchase 2 are immediate family members.

Assets to be disposed of

Pursuant to the SPA 1, the Purchaser 1 has conditionally agreed to acquire and the Vendor has conditionally agreed to sell:

- (a) the Sale Shares 1, being 37.50% of the entire issued share capital of the Target Company; and
- (b) the Sale Loan 1, being 37.50% of the total amount of all the interests, benefits and rights of and in the interest-free shareholder's loan owed by the Target Company to the Vendor on Completion 1, which will be assigned to the Purchaser 1 upon Completion 1.

As at the date of the SPA 1, the Sale Loan 1 amounted to approximately HK\$95.63 million.

Further information on the Target Group have been disclosed under the section headed "Information on the Target Group" below.

Consideration of the Sale Shares 1 and the Sale Loan 1

The consideration of approximately HK\$93.75 million for sale and purchase of the Sale Shares 1 and the Sale Loan 1 shall be paid by the Purchaser 1 to the Vendor in cash upon Completion 1.

The consideration for the Sale Shares 1 and the Sale Loan 1 was determined with reference to 37.50% of the consolidated net liabilities of the Target Group of approximately HK\$0.69 million as at 30 September 2013 and the outstanding balance of the Sale Loan 1 of approximately HK\$95.63 million as at the date of the SPA 1 adjusted for a discount of approximately 1.25% reflecting the rising competition in Hong Kong retail market. Accordingly, the Directors consider that the terms and conditions of the SPA 1 have been arrived at after arm's length negotiations between the Purchaser 1 and the Vendor and are fair and reasonable and in the interests of the Company and the Shareholders as a whole.

Conditions precedent

Completion 1 is conditional upon the following conditions being fulfilled and remaining fulfilled or waived by the Purchaser 1:

- (a) the publication of an announcement of the Company in relation to the SPA 1 and the transactions contemplated thereunder in compliance with Chapter 14 of the Listing Rules;
- (b) the warranties given by the Vendor under the SPA 1 remaining true and accurate in all material respects;

- (c) all licenses, permissions, authorisations, certificates, regulatory approvals and consents in relation to the SPA 1 and the transactions contemplated therein under any applicable laws, statutes, regulations and ordinances having been obtained by the Vendor and the parties to the SPA 1; and
- (d) no material adverse change (or effects) occurred on the Target Group prior to Completion 1.

If any of the conditions have not been satisfied (or, as the case may be, waived by the Purchaser 1) on or before 5:00 p.m. on the Long Stop Date, the SPA 1 shall cease and determine and none of the parties to the SPA 1 shall have any obligations and liabilities thereunder save for any antecedent breaches of the terms thereof.

The Purchaser 1 shall be entitled in its absolute discretion to waive the conditions (b) and (d) above. The conditions (a) and (c) above are incapable of being waived by the Purchaser 1 and the Vendor.

The SPA 1 and the SPA 2 are not inter-conditional.

II. THE SPA 2

Date

21 October 2013

Parties

Vendor: China Star Entertainment (BVI) Limited, a wholly owned subsidiary of the Company

Purchaser: Rosy Mile Limited, an investment holding company

To the best of the Directors' knowledge, information and belief having made all reasonable enquiry,

- (a) the Purchaser 2 and its ultimate beneficial owner are third parties independent of the Company and its connected persons (as defined under the Listing Rules); and
- (b) the ultimate beneficial owners of the Purchaser 2 and the Purchaser 1 are immediate family members.

Assets to be disposed of

Pursuant to the SPA 2, the Purchaser 2 has conditionally agreed to acquire and the Vendor has conditionally agreed to sell:

- (a) the Sale Shares 2, being 12.50% of the entire issued share capital of the Target Company; and

- (b) the Sale Loan 2, being 12.50% of the total amount of all the interests, benefits and rights of and in the interest-free shareholder's loan owed by the Target Company to the Vendor on Completion 2, which will be assigned to the Purchaser 2 upon Completion 2.

As at the date of the SPA 2, the Sale Loan 2 amounted to approximately HK\$31.88 million.

Further information on the Target Group have been disclosed under the section headed "Information on the Target Group" below.

Consideration of the Sale Shares 2 and the Sale Loan 2

The consideration of approximately HK\$31.25 million for sale and purchase of the Sale Shares 2 and the Sale Loan 2 shall be paid by the Purchaser 2 to the Vendor in cash upon Completion 2.

The consideration for the Sale Shares 2 and the Sale Loan 2 was determined with reference to 12.50% of the consolidated net liabilities of the Target Group of approximately HK\$0.23 million as at 30 September 2013 and the outstanding balance of the Sale Loan 2 of approximately HK\$31.88 million as at the date of the SPA 2 adjusted for a discount of approximately of 1.25% reflecting the rising competition in Hong Kong retail market. Accordingly, the Directors consider that the terms and conditions of the SPA 2 have been arrived at after arm's length negotiations between the Purchaser 2 and the Vendor and are fair and reasonable and in the interests of the Company and the Shareholders as a whole.

Conditions precedent

Completion 2 is conditional upon the following conditions being fulfilled and remaining fulfilled or waived by the Purchaser 2:

- (a) the publication of an announcement of the Company in relation to the SPA 2 and the transactions contemplated thereunder in compliance with Chapter 14 of the Listing Rules;
- (b) the warranties given by the Vendor under the SPA 2 remaining true and accurate in all material respects;
- (c) all licenses, permissions, authorisations, certificates, regulatory approvals and consents in relation to the SPA 2 and the transactions contemplated therein under any applicable laws, statutes, regulations and ordinances having been obtained by the Vendor and the parties to the SPA 2; and
- (d) no material adverse change (or effects) occurred on the Target Group prior to Completion 2.

If any of the conditions have not been satisfied (or, as the case may be, waived by the Purchaser 2) on or before 5:00 p.m. on the Long Stop Date, the SPA 2 shall cease and determine and none of the parties to the SPA 2 shall have any obligations and liabilities thereunder save for any antecedent breaches of the terms thereof.

The Purchaser 2 shall be entitled in its absolute discretion to waive the conditions (b) and (d) above. The conditions (a) and (c) above are incapable of being waived by the Purchaser 2 and the Vendor.

The SPA 2 and the SPA 1 are not inter-conditional.

INFORMATION ON THE TARGET GROUP

The Target Company

The Target Company is an investment holding company incorporated in the British Virgin Islands with limited liability on 12 March 2013. The major assets of the Target Company are NPH Holdings Limited, a wholly-owned subsidiary of the Target Company and Empowered Century Limited, a wholly-owned subsidiary of the Target Company.

Based on the unaudited consolidated financial statements of the Target Group for the period from 12 March 2013 (date of incorporation) to 30 September 2013, which were prepared in accordance with Hong Kong Financial Reporting Standards, the net loss attributable to the owners of the Target Company for the period from 12 March 2013 (date of incorporation) to 30 September 2013 was approximately HK\$0.86 million. The net liabilities attributable to the owners of the Target Company as at 30 September 2013 was approximately HK\$1.50 million.

NPH Holdings Limited and its subsidiaries (the "NPH Group")

NPH Holdings Limited is an investment holding company incorporated in the British Virgin Islands with limited liability on 27 August 2007. NPH Holdings Limited has become a wholly owned subsidiary of the Company since 27 October 2011. The major assets of NPH Holdings Limited are the entire issued share capital of each of Nam Pei Hong Investments Limited, Poo Yuk Loong Limited, N P H Sino-Meditech Limited, Nam Pei Hong Sum Yung Drugs Company Limited, 保玉龍食品(深圳)有限公司 (Poo Yuk Loong Food (Shenzhen) Company Limited#) and 70% of the issued share capital of Most Trade Enterprises Limited. NPH Group are principally engaged in the sales of Chinese and other medicines pharmaceutical products, health products, ginseng and dried seafood products to wholesalers and retailers as well as Chinese clinical services.

Based on the unaudited consolidated financial statements of the NPH Group for the year ended 31 December 2012, which were prepared in accordance with Hong Kong Financial Reporting Standards, the net profit attributable to the owners of NPH Holdings Limited for the year ended 31 December 2012 was approximately HK\$0.65 million. The net assets value attributable to the owners of NPH Holdings Limited as at 31 December 2012 was approximately HK\$39.38 million.

Based on the unaudited combined financial statements of the NPH Group for the period from 27 October 2011 (date of acquisition) to 31 December 2011, which were prepared in accordance with Hong Kong Financial Reporting Standards, the net profit attributable to the owners of NPH Holdings Limited for the period from 27 October 2011 (date of acquisition) to 31 December 2011 was approximately HK\$0.12 million. The net assets value attributable to the owners of NPH Holdings Limited as at 31 December 2011 was approximately HK\$38.73 million.

Empowered Century Limited and its subsidiaries (the “Empowered Group”)

Empowered Century Limited, a wholly owned subsidiary of the Target Company, is an investment holding company incorporated in the British Virgin Islands with limited liability on 12 March 2013. The major assets of Empowered Century Limited are the entire issued share capital of each of Star Hope Investments Limited, Smart Value Developments Limited, Well Full Limited, Well Star Investments Limited and Big Century Limited which holding premises located at Sheung Wan.

Based on the unaudited consolidated financial statements of Empowered Group for the period from 12 March 2013 (date of incorporation) to 30 September 2013, which were prepared in accordance with Hong Kong Financial Reporting Standards, the net loss attributable to the owners of Empowered Century Limited was approximately HK\$1.33 million. The net liabilities attributable to the owners of Empowered Century Limited as at 30 September 2013 was approximately HK\$1.33 million.

REASONS FOR THE DISPOSALS

The Company is an investment holding company and its subsidiaries are principally engaged in film production, distribution of film and television drama series, sales of Chinese health products, investing in operations which receive the profit stream from gaming promotion business, property and hotel investment, and property development.

In view of the rising competition in Hong Kong retail market, the Directors consider that the Disposals provide the Group with an opportunity to introduce new investors to the Target Company for the future business development and/or expansion of the Target Group and realise part of the Group’s investment in the Target Company into cash. Based on the above, the Directors consider that the terms and conditions of the Disposals are fair and reasonable and are in the interests of the Company and the Shareholders as a whole.

The Directors estimate that the Group will record a loss on the Disposals of approximately HK\$1.59 million, being the total considerations of the Disposals of approximately HK\$125.00 million minus 50% of the net consolidated liabilities of the Target Group of HK\$0.92 million as at 30 September 2013 and the total outstanding balances of the Sale Loan 1 and the Sale Loan 2 of approximately HK\$127.51 million as at the date of the SPA 1 and the SPA 2. The considerations for the Disposals will be used for general working capital of the Group. The loss on the Disposals to be reported is subject to the audit by the Company’s auditors.

Upon Completion 1 and Completion 2, the Vendor is interested in 50% of the issued share capital of the Target Company. Each of the Target Company and its subsidiaries will become a non-wholly owned subsidiary of the Company and its financial results will be consolidated into the consolidated financial statements of the Group in accordance with Hong Kong Financial Reporting Standard 10: Consolidated Financial Statements.

IMPLICATIONS UNDER THE LISTING RULES

Given the ultimate beneficial owners of the Purchaser 1 and the Purchaser 2 are immediate family members, the Disposal 1 and the Disposal 2 are aggregated under Rule 14.22 of the Listing Rules.

As two of the relevant applicable percentage ratios (as defined in the Listing Rules) in respect of the Disposals exceed 5% but less than 25%, the Disposals constitute a discloseable transaction of the Company under Chapter 14 of the Listing Rules and are subject to the announcement requirement under the Listing Rules.

DEFINITIONS

In this announcement, unless the context otherwise requires, the following words and expressions shall have the following meanings when used herein:

“Board”	the board of the Directors
“Company”	China Star Entertainment Limited, a company incorporated in Bermuda with limited liability and the issued Shares are listed on the Main Board of the Stock Exchange
“Completion 1”	completion of the disposal of the Sale Shares 1 and the Sale Loan 1 in accordance with the terms and conditions of the SPA 1
“Completion 2”	completion of the disposal of the Sale Shares 2 and the Sale Loan 2 in accordance with the terms and conditions of the SPA 2
“Director(s)”	the director(s) of the Company
“Disposals”	the Disposal 1 and the Disposal 2
“Disposal 1”	the disposal of the Sale Shares 1 and the Sale Loan 1 by the Vendor pursuant the SPA 1
“Disposal 2”	the disposal of the Sale Shares 2 and the Sale Loan 2 by the Vendor pursuant the SPA 2

“Group”	the Company and its subsidiaries
“Hong Kong”	the Hong Kong Special Administrative Region of the People’s Republic of China
“Long Stop Date”	31 December 2013 or such other date as the Purchaser 1 or the Purchaser 2 (as the case may be) and the Vendor may agree in writing
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Purchaser 1”	Mighty Chief Limited, a company incorporated in the British Virgin Islands with limited liability and a third party independent of the Company and its connected persons (as defined under the Listing Rules)
“Purchaser 2”	Rosy Mile Limited, a company incorporated in the British Virgin Islands with limited liability and a third party independent of the Company and its connected persons (as defined under the Listing Rules)
“Sale Loan 1”	37.50% of the total amount of all the interests, benefits and rights of and in the interest-free shareholder’s loan owed by the Target Company to the Vendor on Completion 1, which will be assigned to the Purchaser 1 upon Completion 1. As at the date of the SPA 1, the amount of the Sale Loan 1 was approximately HK\$95.63 million
“Sale Loan 2”	12.50% of the total amount of all the interests, benefits and rights of and in the interest-free shareholder’s loan owed by the Target Company to the Vendor on Completion 2, which will be assigned to the Purchaser 2 upon Completion 2. As at the date of the SPA 2, the amount of the Sale Loan 2 was approximately HK\$31.88 million
“Sale Shares 1”	375 shares of US\$1.00 each in the issued share capital of the Target Company, representing 37.50% of the issued share capital therein
“Sale Shares 2”	125 shares of US\$1.00 each in the issued share capital of the Target Company, representing 12.50% of the issued share capital therein

“Share(s)”	the ordinary share(s) of HK\$0.01 each in the share capital of the Company
“Shareholder(s)”	the holder(s) of the issued Shares
“SPA 1”	the conditional sale and purchase agreement dated 21 October 2013 entered into between the Vendor and the Purchaser 1 in relation to the disposal of the Sale Shares 1 and the Sale Loan 1
“SPA 2”	the conditional sale and purchase agreement dated 21 October 2013 entered into between the Vendor and the Purchaser 2 in relation to the disposal of the Sale Shares 2 and the Sale Loan 2
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Target Company”	Ace Season Holdings Limited, a company incorporated in the British Virgin Islands with limited liability and a wholly owned subsidiary of the Vendor
“Target Group”	the Target Company and its directly and indirectly wholly owned subsidiaries, namely NPH Holdings Limited, Nam Pei Hong Investments Limited, Poo Yuk Loong Limited, N P H Sino-Meditech Limited, Nam Pei Hong Sum Yung Drugs Company Limited, 保玉龍食品(深圳)有限公司 (Poo Yuk Loong Food (Shenzhen) Company Limited#), Empowered Century Limited, Star Hope Investments Limited, Smart Value Developments Limited, Well Full Limited, Well Star Investments Limited and Big Century Limited and its 70% owned subsidiary, namely, Most Trade Enterprises Limited
“Vendor”	China Star Entertainment (BVI) Limited, a company incorporated in the British Virgin Islands with limited liability and a wholly owned subsidiary of the Company
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“US\$”	United States dollars, the lawful currency of the United States of America

“%” per cent.

An informal translation of Chinese name

By Order of the Board
China Star Entertainment Limited
Heung Wah Keung
Chairman

Hong Kong, 21 October 2013

As at the date of this announcement, the executive Directors are Mr. Heung Wah Keung, Ms. Chen Ming Yin, Tiffany and Ms. Li Yuk Sheung; the independent non-executive Directors are Mr. Hung Cho Sing, Mr. Ho Wai Chi, Paul and Mr. Tang Chak Lam, Gilbert.